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## A grand bargain for local aid

By David Luberoff | March 26, 2007

THE BAY STATE'S time-honored system of local governance is teetering on the brink of disaster.

From ailing satellite cities to thriving suburbs, the costs of local government are rising faster than revenues from property taxes and local aid. While more money might solve some problems, cumbersome rules and outdated management practices often mean that money isn't being spent as wisely and efficiently as possible.

To complicate matters further, many cities and towns have land-use and environmental policies that stop locally unpopular residential and commercial projects. Yet these policies can stymie regional economic development because they drive up the cost of housing and make it hard for businesses to expand in Massachusetts.

Viewed separately, these issues seem almost intractable. But viewed together, they might provide the basis for a three-part "grand bargain" that would give localities the tools they need to operate and set appropriate new ground rules for how they would manage their affairs. And the pieces of this bargain are already in place.

First, cities and towns need money -- from local aid and other sources. Governor Patrick, with enthusiastic support from many local officials, has proposed legislation that would give local government more money in several ways, including the power to impose local hotel and restaurant taxes. However, the governor's plan is floundering because many people do not believe that local governments have the ability or will to spend new funds wisely.

Such concerns are legitimate. With the exception of Somerville and a few other localities, very few local governments have adopted cutting-edge computerized performance-management systems designed to ensure that governments get the most bang for their bucks. Similarly, recent reports documenting the poor performance of many local pension systems and the especially high cost of health insurance for local government employees do little to inspire confidence that local governments would make good use of new funds.

This brings us to the second part of the bargain: requirements that local governments meet minimum standards. Governor Patrick took a step in this direction with his proposal that underperforming local pension systems transfer their assets to the state's system. The governor might consider proposing similar requirements on localities where healthcare costs are rising much faster than the state's costs for similar insurance.

In fact, this principle could be extended to a variety of local activities. Doing so might start with a requirement that localities develop and use basic performance-management systems to identify the cost and quality of a variety of basic local services. In addition to providing much-needed transparency for local citizens, such systems would give the state the power to identify localities with unusually high costs or unusually poor performance.

As with pensions or insurance, the state might require such localities either to improve or to submit to greater state oversight of their affairs. This should be a last resort, but the threat of such interventions might prevent larger breakdowns in local government, such as problems that ultimately led to state oversight of Springfield's finances (and in the early 1990s of Chelsea's).

Finally, new local aid should also be conditioned on helpful land-use policies. As several recent studies have shown, stringent local land-use regulation has reduced the potential supply of housing in this region and often made it difficult to build commercial projects as well.

Because such locally desirable policies have harmed the state's economy, any effort to address localities' fiscal needs might also reward localities that allow the construction of new housing and commercial projects. Such efforts would build on and expand existing state efforts to encourage the construction of more housing in environmentally appropriate locations and to speed up permitting for major projects.

Each of these three steps is a tall order. It's often easier to make progress on complex, interrelated issues by breaking them down into smaller, more digestible problems. But sometimes hard issues can be solved only by joining them together. This is one of those times.

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